



Discussion by Mark Warshawsky, SSA of
“Ethics, Insurance, Pricing, Genetics and Big Data”
by Robert Klitzman,
and
“Matching Fin Tech Advice to Participant Needs: Lessons and
Challenges”
by Stephen Deschenes and Brett Hammond

PENSION RESEARCH COUNCIL CONFERENCE

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“Ethics, Insurance, Pricing, Genetics, and Big Data”

- ▶ Identifies new technological and social trend – genetic information
- ▶ May be useful in treatment and care
- ▶ But may just be a diagnosis
- ▶ How accurate? How widespread? How much marginal improvement in information?
- ▶ Focus on the impact on various individual insurance markets through adverse selection
- ▶ Policy- GINA, Common Rule, Other Countries, Four Options

There is Also Social Insurance

- ▶ Nearly Universal/Mandatory
- ▶ Social Security
 - ▶ Retirement annuity
 - ▶ Disability insurance
 - ▶ Survivors' insurance
- ▶ Medicaid and SSI
 - ▶ LTCI
 - ▶ Disabled and aged cash benefit
 - ▶ Welfare approach, disparate rules
- ▶ Favors lower income individuals and families
- ▶ Also there is some employer coverage
- ▶ Need to consider in welfare analysis

There are Formal Theoretical and Empirical Models of Adverse Selection and Information

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- ▶ Rothschild and Stiglitz (1976)
 - ▶ Pooling equilibrium
 - ▶ No equilibrium
 - ▶ Separating equilibrium (price and quantity); high-risk exert negative externality on low-risk
- ▶ Finkelstein and Poterba (2004)
 - ▶ Empirical analysis of annuity markets (no underwriting)
 - ▶ Importance of multiple product features, but not quantity
 - ▶ Importance of risk aversion
- ▶ Warshawsky and Brown (2013)
 - ▶ Annuity and LTCI combined
 - ▶ Pooling equilibrium by pooling products

“Matching Fin Tech Advice to Participant Needs: Lessons and Challenges”

- ▶ Robo Advice – possibly better, lower cost, personalized advice
- ▶ Need to define problem to solve and the relevant population
- ▶ Classic problem is savings and asset allocation in 401(k) account
- ▶ Better than no advice, in theory, in practice?
- ▶ Individual risk tolerance assessments vs. goal risk
- ▶ Advice delivery
- ▶ Impact and Analysis
 - ▶ Aon Hewitt (2014) “Help” study
 - ▶ Condor Capital (2018), focus on robo advisors

Other Applications

- ▶ Medigap insurance
- ▶ Social Security optimization
- ▶ Retirement income
- ▶ Life insurance purchase
- ▶ Traditional vs. Roth IRA

Analysis and Impact (Again)

- ▶ The Role of Regulations – QDIA, etc.
- ▶ Inputs vs. Outputs
- ▶ Simple vs. Complex
- ▶ Survey vs. Market Share
- ▶ Econometric vs. Demonstration
 - ▶ Long Time Period
 - ▶ Randomness Needed